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March 19, 2007

Honorable John D. Dingell  
Chairman  
House Energy and Commerce Committee  
2125 Rayburn House Office Building  
Washington, DC 20515

Honorable Rick Boucher  
Chairman  
Subcommittee on Energy and Air Quality  
House Energy and Commerce Committee  
2125 Rayburn House Office Building  
Washington, DC 20515  
By E-Mail: [Chris.treanor@mail.house.gov](mailto:Chris.treanor@mail.house.gov)

Re: Request for Information Regarding Climate Change Policy

Dear Chairmen Dingell and Boucher:

The South Carolina Public Service Authority, also known as Santee Cooper, is South Carolina's state-owned electric and water utility. It is the nation's fourth largest publicly owned utility of its type based on generation and the third largest based on megawatt-hour sales to ultimate customers.

Santee Cooper is the source of power for more than 2 million South Carolinians and provides direct service to about 150,000 retail customers in Berkeley, Georgetown and Horry Counties. In addition, Santee Cooper is the primary source of power distributed by the state's 20 electric cooperatives to over 665,000 customers located in all of the state's 46 counties. Santee Cooper also supplies power to more than 30 large industrial facilities, the cities of Bamberg and Georgetown, and the Charleston Air Force Base.

Santee Cooper appreciates the opportunity to provide information to the Committee on Energy and Commerce as it considers the important issue of climate change policy. Santee Cooper's responses to the information requests are set forth below.

1. Please outline which issues should be addressed in the Committee's legislation, how you think they should be resolved, and your recommended timetable for Congressional consideration and enactment. For any policy recommendations, please address the impacts you believe the relevant policy would have on:

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- a. emissions of greenhouse gases and the rate and consequences of climate change; and
- b. The effects on the U.S. economy, consumer prices, and jobs.

**Any policy addressing reductions in GHG, whether voluntary or mandatory, should consider and be based upon the following criteria:**

- **A cap and trade system is not appropriate for controlling GHG emissions due to the lack of affordable, reliable and commercially available control technologies.**
- **Climate policy should not disadvantage the U.S. economy in world markets.**
- **CO<sub>2</sub> and other GHGs must be addressed on an economy-wide basis.**
- **A reduction in GHGs will require higher costs for energy. Any policy must balance energy costs with what consumers can afford and be designed to avoid a negative impact on U.S. employment.**
- **Any policy must recognize the population increases and resulting increase in the need for energy production in a number of states that would be affected by the policy and not unfairly penalize energy producers in those states.**
- **Coal-fired generation – which is the largest domestic energy resource and accounts for half of U.S. electricity production – is essential for reliable operation of the electric grid and must remain a source of stable and affordable electricity supply.**
- **The production of nuclear energy must be expanded and encouraged through a streamlined permitting process.**
- **The development of renewable energy production should be encouraged while recognizing that there are geographic and resource availability limitations to the types and quantities of renewable energy that can be produced.**
- **Federal and industry support for research and development must be expanded significantly to develop cost-effective technologies to reduce GHGs throughout the economy and to improve efficiency.**
- **While research and development should expand with regard to ways to capture and sequester CO<sub>2</sub>, there must be recognition of the technical, geologic and geographic restraints on this method of reduction.**

- **Energy conservation and efficiency in all sectors must be significantly increased.**
- **Federal financial incentives to promote new technologies must be made available to all types of electric utilities. Tax-exempt utilities should be able to receive incentives for renewables, nuclear and advanced coal comparable to those available to taxable entities.**

**With respect to a time table for Congressional consideration and enactment, Santee Cooper encourages the Committee to undertake a careful deliberative process.**

2. One particular policy option that has received a substantial amount of attention and analysis is "cap-and-trade." Please answer the following questions regarding the potential enactment of a cap-and-trade policy:

- a. Which sectors should it cover? Should some sectors be phased-in over time?

**Without available technology, and sufficient time to develop such technology, Santee Cooper cannot support a cap and trade policy. However, should Congress chose to enact a cap and trade program, it should be economy-wide and not impose a disproportionate burden on any sector of the economy. The point of regulation should be upstream at the point of fuel production or the point of importation to ensure economy wide coverage of all sectors.**

**No cap and trade policy should be implemented until the necessary technology is commercially available. Because technologies do not exist sufficient to reduce GHG emissions from fossil fuel generators faced with serving a growing load, there would need to be a technology development transition period before a cap and trade program could be implemented. However, once the technology became commercially available, compliance should be initiated across all sectors simultaneously, with safety valves used to cushion the impact to the economy.**

- b. To what degree should the details be set in statute by Congress or delegated to another entity?

**It is imperative that Congress directly determine the framework and details of GHG emission reduction policies and that any future changes in the policy set by Congress, be determined by Congress, and not by the Executive Branch agencies.**



- c. Should the program's requirements be imposed upstream, downstream, or some combination thereof?

**At the inception of any program, the point of regulation for a cap-and-trade program should be upstream for all emissions in order to equitably implement the regulatory program across all sectors. However, much depends on the other features of the regulatory program being considered.**

- d. How should allowances be allocated? By whom? What percentage of the allowances, if any, should be auctioned? Should non-emitting sources, such as nuclear plants, be given allowances?

**Allowances should be allocated to upstream and downstream emitters based on proportional energy usage. For example, if the coal industry was responsible for 60% of the heat input across all sectors, they should garner 60% of allowances. This value should be set in some baseline year then revised periodically across all sectors to fairly distribute allowances so that one sector does not gain an advantage over another as energy uses evolve over time. Only fossil fuel energy producing sectors should be awarded allowances, but other incentives (tax credits, for example) should be available for non-emitting sources (wind, solar, nuclear). The Department of Energy, which has administered the voluntary program, would be well suited to administer a mandatory program.**

- e. How should the cap be set (e.g., tons of greenhouse gases emitted, CO<sub>2</sub> intensity)?

**Any cap should be set in CO<sub>2</sub> intensity. This will allow for a growing US economy / population to increase CO<sub>2</sub> emissions in the short term while targeting CO<sub>2</sub> reductions in future as technology evolves to reduce / control greenhouse gas emissions.**

- f. Where should the cap be set for different years?

**Caps should not be imposed before compliance technologies are available. Caps could be triggered by the availability of cost-effective, commercially available control technologies and resolution of carbon sequestration technical and policy issues. Any policy would need to provide for rational transition periods after these triggering events occurred.**

- g. Which greenhouse gases should be covered?

**A cap-and-trade program should apply to all GHGs (on a CO<sub>2</sub> equivalent basis), recognizing that for certain non-CO<sub>2</sub> gases a somewhat different form of regulation may be required.**

- h. Should early reductions be credited? If so, what criteria should be used to determine what is an early reduction?

**Early reductions should be credited. For utility sources, 1605(b) reductions should be used for early credit plus any other quantifiable and verifiable actions / projects.**

- i. Should the program employ a safety valve? If so, at what level?

**Any program should include a safety valve to provide a price ceiling for purchasing allowances under any cap-and-trade program. The safety valve should be set a level that adequately protects the U.S. economy.**

**If projections upon which the program is based are wrong, it is possible that capping GHG emissions could result in significant negative economic impacts, including the loss of industry and jobs to nations with no caps in place. Safety valves would provide protections against this negative impact to both the U.S. economy and the environment.**

- j. Should offsets be allowed? If so, what types of offsets? What criteria should govern the types of offsets that would be allowed?

**Any regulatory program should permit the use of a broad range of quantifiable and verifiable offset projects. Notable examples include emissions reduction projects, as well as geological and agricultural sequestration, within the U.S. and other countries. Specific utility actions that should be credited are demand side management programs, waste and by-product recycling efforts, and efficiency improvement projects.**

- k. If an auction or a safety valve is used, what should be done with the revenue from those features?

**Safety valve revenues should be paid into a dedicated fund (outside of the normal appropriations process) and used only for climate-related technology research, development, demonstration and deployment programs, including conservation and renewables programs and additional nuclear energy opportunities. Both public power and investor owned utilities in the regulatory program should have a voice in determining how these funds are distributed.**



1. Are there special features that should be added to encourage technological development?

**There is a need for greater federal funding of clean energy technology research and development. Incentives must apply to all parts of the utility industry and public power utilities should receive incentives comparable to those available under the Internal Revenue Service Code to taxable entities.**

- m. Are there design features that would encourage high-emitting developing countries to agree to limits on their greenhouse gas emissions?

**This is a national policy issue, which, if implemented, should not put the U.S. economy at a disadvantage to the world markets.**

3. How well do you believe the existing authorities permitting or compelling voluntary or mandatory actions are functioning? What lessons do you think can be learned from existing voluntary or mandatory programs?

**The experience and expertise gained through existing voluntary efforts have provided a foundation for cost-effectively achieving further reductions under future federal climate policies.**

4. How should potential mandatory domestic requirements be integrated with future obligations the United States may assume under the 1992 United Nations Framework Convention on Climate Change? In particular, how should any U.S. domestic regime be timed relative to any international obligations? Should adoption of mandatory domestic requirements be conditioned upon assumption of specific responsibilities by developing nations?

**Santee Cooper has not developed a position on this question.**

5. What, if any, steps have your organization's members or its individual members taken to reduce their greenhouse gas emissions? Which of these have been voluntary in nature? If any actions have been taken in response to mandatory requirements, please explain which authority (State, Federal, or international) compelled them?

**Santee Cooper was one of many public power utilities which participated in the Department of Energy's Climate VISION program. As the recent report states to DOE, Santee Cooper along with other public power utilities are undertaking a wide-ranging set of actions and programs to reduce their GHG emissions intensity, as well as to reduce, avoid, and sequester GHG emissions off-system. Santee Cooper has also participated in DOE's 1605(b) reporting program since its inception in 1995.**

For example, Santee Cooper has undertaken several voluntary programs that have offset over 2M tons (tons of CO<sub>2</sub> equivalent) of GHG emissions in 2005 alone. These programs include:

Landfill gas to energy – Santee Cooper has installed over 14 MW of LFG generating capacity and has one of the leading landfill gas to energy programs in the South.

Demand side management projects;

Coal ash utilization (Santee Cooper has one of the nation's leading ash utilization programs and has been recognized by EPA's voluntary climate program – the Coal Combustion Partnership (CCP) program for over 90% utilization in 2004 and 2005);

Tree planting on project properties;

Energy efficiency projects at existing generating stations;

Recycling – Santee Cooper is dedicated to recycling paper, corrugated cardboard, magazines, phone books, pvc/vinyl, Iron & other ferrous metals. non-ferrous metals, dimensional lumber, glass and rubber.

A summary of 2005 as well as cumulative CO<sub>2</sub> offsets from these projects is contained in the below table:

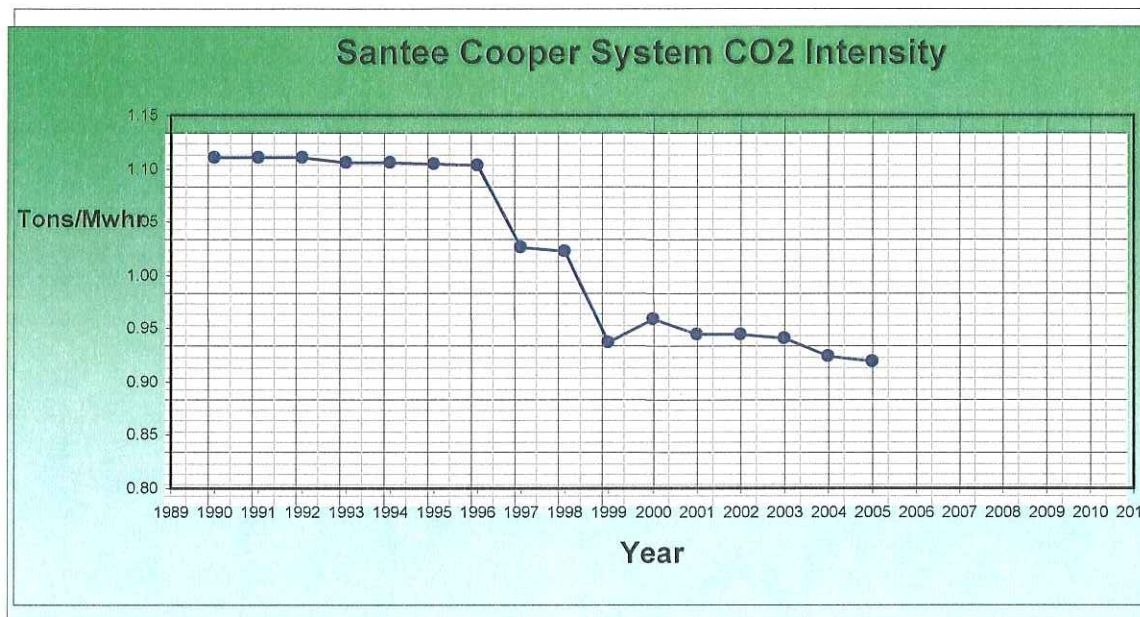
**SANTEE COOPER CO<sub>2</sub> OFFSETS**

CO <sub>2</sub> Mitigation Project	2005 Offsets tons CO <sub>2</sub>	1991-2005 Offsets tons CO <sub>2</sub>
Landfill Gas to Energy Program	243,130	585,639
Demand Side Management (DSM)	65,507	709,515
Coal Ash Utilization	483,945	2,532,288
Forestation /Reforestation	10,841	56,775
Energy Efficiency Improvements at existing units	1,229,747	10,935,134
Recycling Program	20,489	81,100
	2,053,659	14,900,451



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Based on Santee Cooper's fossil fuel diversity, recently constructed generation, improved energy efficiency, and greenpower projects, the system-wide fossil fuel CO2 intensity has improved since 1991. The graph below was compiled using DOE guidelines for CO2 intensity reporting in our annual 1605 (b) reports.



Thank you for allowing Santee Cooper to share our views and provide information to the Committee. Climate change policy is a difficult issue which could have significant impact on Santee Cooper and its customers as well as other energy producers and energy users. Please let us know if we can provide you with any additional information as the Committee proceeds with its deliberative process.

Sincerely,

Lonnie N. Carter

LNC:sbg

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